

# Schuh|Browne

CERTIFIED PUBLIC  
ACCOUNTANTS

## The Session and Management First Presbyterian Church of San Antonio

In planning and performing our audit of the financial statements of First Presbyterian Church of San Antonio as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered First Presbyterian Church of San Antonio's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control. Accordingly, we do not express an opinion on the effectiveness of the Church's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Church's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in First Presbyterian Church of San Antonio's internal control to be material weaknesses:

### **MATERIAL WEAKNESS**

#### *Netting of Revenues and Expenses to Fund Accounts*

The Church does not use revenue and expense accounts to track individual fund activity in the Special Fund (as well as certain balances in the Current Operating Fund), and instead nets all inflows and outflows for a given fund into a single equity account for each fund. In other words, revenues, expenses, and transfers in each fund are commingled together rather than being presented separately. This results in misstatements on the income statement as significant revenue, expense, and interfund activity may be omitted from the income statement altogether, or obscured due to inability to distinguish those activities from each other. Given that a material amount of revenues and expenses pass through the Special Fund, these misstatements may be material in nature.

The problem was compounded this year by higher-than-usual amounts of property and equipment expenditures, and contributions from the First Presbyterian Church of San Antonio Foundation to fund those expenditures, that were posted either to equity or receivables in the Special Fund ledger, rather than to revenues or expenses. This also made it difficult to reconcile the Church's contributions received from the Foundation to the Foundation's books, as those contributions were not properly presented on the Church's income statement prior to the audit.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in First Presbyterian Church of San Antonio's internal control to be significant deficiencies:

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## **SIGNIFICANT DEFICIENCIES**

### *Segregation of Duties*

As part of our review of internal controls during our audit work, and particularly with regards to compliance with accounting and auditing standards, we noted there is inadequate segregation of financial duties within the Church. Although there are some controls in this area, the small size of the accounting staff and the children's center administrative staff makes it impossible to totally separate overlapping duties over financial management and reporting. Without enough people to fully segregate financial tasks, it is impossible to create a sound and reliable control structure that completely protects the Church against misappropriation and fraud. Based on the number of staff involved, it appears that the Church is aware of internal control issues and has developed a system to try and meet their needs at this time.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

## **OTHER MATTERS**

### *Review and Reconciliation of Children's Center Billing Systems*

During the year, the Church transitioned to a new billing system known as Brightwheel for its Children's Center. As the transition occurred mid-year, revenues received through both systems are included in this year's financial statements, but it is not clear if the process for reconciling revenue postings from the Children's Center to the Church's books has been completely updated for the new system. While we did not detect any material errors, we did note that tuition discounts recorded in Brightwheel are not always clearly transacted on the Church's general ledger. We urge management to review how transactions from Brightwheel are recorded to the Church's books, and to ensure that there continues to be a periodic reconciliation of Brightwheel transaction reports to the Church's ledger and a periodic review of tuition discounts and credits posted within Brightwheel to determine if they are appropriate. Additionally, while tuition receivables are not recorded on the Church's books under the modified cash basis of accounting, we urge management to review monthly tuition receivable reports from Brightwheel in order to ensure that there are no problems with collections.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Session, and others within the Church, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Schul Browne, P. C.*

San Antonio, Texas  
January 17, 2025